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RUEHAK/AMEMBASSY ANKARA PRIORITY 4836
RUEHBJ/AMEMBASSY BEIJING PRIORITY 2612
RUEHKO/AMEMBASSY TOKYO PRIORITY 2477
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RUEAIIA/CIA WASHDC PRIORITY
RHEFDIA/DIA WASHDC PRIORITY
RUEKJCS/JOINT STAFF WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RUEKJCS/SECDEF WASHDC PRIORITY
RUCPDOG/DEPT OF COMMERCE WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUEHRC/DEPT OF AGRICULTURE WASHDC PRIORITY
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SENSITIVE

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SUBJECT: TURKMENISTAN: GRAIN ASSOCIATION TOUTS ROLE IN FEEDING THE
NATION

REF: ASHGABAT 0093

1. (U) Sensitive but unclassified. Not for public Internet.

2. (SBU) SUMMARY: In a February 9 meeting with Economic Officer, Grain Association Chairman, Atamurat Altybayev, praised Turkmenistan's 1,000,000 ton grain harvest and said that Turkmenistan is self-sufficient in grain and flour. Unofficial estimates indicate that the 2008 harvest was under one million tons and that Turkmenistan imports flour from Russia and Kazakhstan to meet its demand. The Government raised the price it pays farmers for grain to encourage better production. The Grain Association views progress in terms of significant purchases of foreign-made technologies. END SUMMARY.

BRINGING TECHNICAL CAPACITY = BUYING MORE EQUIPMENT

3. (SBU) Grain Association Chairman Atamurat Altybayev said in a meeting on February 9 that the Association is responsible for planting, harvesting, transporting, processing, baking, and selling all grain and bread products in Turkmenistan. It is currently focusing on increasing capacity for future needs, and to function according to European standards. To that end, the Government has signed 144 million euros in contracts with the German-based "Unionmatex Industrienanlage" Company for construction of turnkey grain processing complexes in five locations in Turkmenistan, including Ruhabat District of Ahal Province, Serdar District of Balkan Province, Turkmenabat District of Lebap Province, and Mary District of Mary Province, and a pastry shop in Ashgabat, which will include a big manufacturing line and a bakery. (NOTE: The company became a partner to the Grain Association in 1995, when it built grain mills and bakeries in Kone Urgench and Baharly towns. Flour supplied by these mills is reportedly of high quality and highly valued by local consumers. END NOTE.)

4. (SBU) Altybayev also praised the high quality of John Deere equipment which the Association uses to spread pesticides. Altybayev said that the Karakum canal's branch duct, which is under

construction in Balkan province, will improve the water situation for farmers. He said that he could not remember how many elevators and flour mills are currently in the country or what the country's storage capacity is. He also said that the number of flour mills is irrelevant because some are large and some are small, and therefore a fixed number doesn't say anything about Turkmenistan's capacity. He said that the country produced more flour than is necessary for its own use, and sold some to other countries. (NOTE: Altybayev may have been referring to a 1,000-ton flour donation made by Turkmenistan to Afghanistan in January of 2008 as a humanitarian aid to Afghanistan's population which suffered from then extremely cold winter. END NOTE.)

TURKMENISTAN HARVESTS SUFFICIENT GRAIN FOR CURRENT NEEDS

15. (SBU) Altybayev said that bread rationing is not necessary in Turkmenistan because of its sufficient supply. However, according to Embassy contacts in Mary and Lebap, bread supply there is erratic (reftel). Altybayev insisted that 1,000,000 tons of grain -- Turkmenistan's harvest in 2008 -- is enough for current needs, and that the Minister of Agriculture's goal of 1,600,000 tons will give Turkmenistan the ability to set some grain aside for storage. Local experts estimated that last year's harvest came in at under a million tons, and that this has prompted the authorities to look for ways to improve the situation. Altybayev announced that the official purchase price per ton of grain will increase to 400 DTM (\$140) as of the beginning of 2010. (NOTE: The Government recently increased the official grain price from 160 DTM [\$56] to 270 DTM [\$94] as of January 15, 2009 [reftel]. An official from the Ministry of Economy and Development said the aim was to encourage farmers to produce more grain, and the measure would be more cost

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effective than paying world prices for imported wheat. END NOTE.)

PRIVATE COMPANIES ARE ALLOWED TO IMPORT FLOUR

16. (SBU) According to independent estimates, Turkmenistan needs about 2.5 million tons of grain every year. Because of the arid climate, most of the wheat grown in Turkmenistan is suitable only for animal fodder, and yields are low. As a result, the country has to import more than 50 percent of its wheat from Russia and Kazakhstan. Altybayev said that Turkmenistan does not import grain and flour. Rather, he said, it has imported seeds from Russia and Kazakhstan for two years in a row. Private companies are allowed to import flour for sale on the open market, following sanitation checks.

17. (SBU) COMMENT: The Government of Turkmenistan has raised the price it pays farmers for grain, but analysts say this measure alone will not achieve the aim of increasing production to a point where the country is self sufficient in flour. Like many Turkmen ministries and agencies, the Grain Association views progress in terms of significant purchases of foreign-made technologies (preferably from the west). END COMMENT.

MILES